THE RATIONALE OF THAILAND'S BILATERAL FTA STRATEGIES [*]

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Abstract

The recent policy of the Thai government under the leadership of Prime Minister Dr. Thaksin Shinawatra to support numerous and wide-ranging bilateral free trade agreements (FTAs) with many countries around the Asia Pacific and South Asian regions appears to contradict its earlier indication of an economic policy favouring an inward-looking, domestically oriented approach to economic recovery and management. The truth however lies in the fact that the government wants the strengths in both domestic and overseas markets. So, once the two largest economies in the world, the US and japan, have changed their positions regarding the earlier aversion to bilateral FTAs, Thailand quickly seizes on this opportunity to go further than many other countries in the region. This change in Thai foreign economic policy reflects the personality and business experience of Dr. Thaksin who has since become a very strong political leader and economic manager of Thailand. Thailand's current policy towards FTAs, therefore, must be understood within the context of Dr. Thaksin trying push Thailand into a position of leading regional economy with himself regional leader; that he is demonstrating his character of a shrewd business strategist; and that he is also an economic pragmatist. The improving Thai economy will continue to enable the Thai Prime Minister to experiment with many more FTAs in the years to come.

1. Introduction

Thai economy is riding on the crest of good economic news at the beginning of 2004. With the growth rate of its GDP in 2003 at 6.7 per cent, Thailand has regained its status of one of the world's fastest growing economies. Early this year also, the UN Conference on Trade and Development (UNCTAD) reported the result of a survey of 87 international direct investment location experts worldwide which gave Thailand the fourth best place for foreign direct investment after China, India, and the US.[1] To some, this success is believed to be attributable to the handiwork of its forceful Prime Minister, Dr. Thaksin Shinawatra, but to many, it is probably more appropriate to say that it is the combination of energetic policies of Dr. Thaksin and his government, and the favourable world economic conditions that bring about this good economic tiding.

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[1] UNCTAD, Prospects for FDI Flows, TNC Strategies and Promotion Policies: 2004-2007, 15 April 2004. From UNCTAD Website at <http://www.unctad.org>

One of the most outstanding economic happenings that take place during the last 3 years of the Thai government under Dr. Thaksin is the extraordinary efforts that the Thai government has put on proposing, negotiating, and creating bilateral free trade agreements (FTAs) with various like-minded countries or groups of countries near and far. It is not far from the truth to say that Thailand is one of the most active pursuers of this form of regional economic integration in the world. At present, Thailand has already concluded a bilateral FTA with Bahrain on December 2002, with the signing of an FTA with Australia expected by May 2004. Under various stages of development include FTA discussions and negotiations with Japan, China, Korea, the US, India, Peru, New Zealand, and the BIMSTEC group, a group of South Asia countries consisting of Bangladesh, India, Myanmar, Sri Lanka, Nepal, and Bhutan. This does not include a wider consideration and negotiation involving an economic group that Thailand is a member such as ASEAN-China, ASEAN-Japan, and ASEAN-CER.

These efforts can be seen both as the cause and effect of the economic success mentioned above. On the one hand, Dr. Thaksin believes that active, even aggressive, FTA strategies will bring about faster and wider economic benefits to Thailand. On the other hand, the current economic success of Thailand has encouraged other countries to seek cooperation with Thailand regarding possible FTAs. Whether current FTA efforts in Thailand are seen as a cause or effect to Thailand's economic success is not so important. What is more important is the rationale behind such efforts: Why Thailand, or more specifically, why Dr. Thaksin, decided to go through FTA route in his international economic policies? Does Thailand still adhere to the principles of multilateral trading negotiations a la WTO? What basic policy stance does Thailand have in proposing and negotiating various FTAs in other countries? What kinds of benefits and costs does Thailand see arriving from various FTAs? What backup plans does Thailand have in coping with the change and contingencies of FTAs in the future? These are some of the pertinent questions that will be discussed in this paper.

2. Basic International Economic Policies of Thailand

The government of Dr. Thaksin came into power in February 2001 after a landslide victory in the general election in January 2001. This massive victory has enabled Dr. Thaksin to change many public policies right from the beginning. On international economic policies, the new government was very serious about the change in foreign economic policy of Thailand from the one based on traditional diplomacy first, economic matters second, to the one that

stresses overall economic gains first, and everything else second. This is obvious from the policy statement announced by the government to the parliament (see Annex 1) in February 2001 which said: “The Government is determined to elevate the international trade policy from one solely emphasising the acceleration of exports at all levels to one focused on developing a global marketing network system able to respond to the rapidly changing needs of consumers, thus integrating the Thai economy as part of a powerful global economy in a borderless world”. The government would like to develop Thailand into a centre for global trade in goods and services, and in so doing, it must develop its own products (agricultural as well as manufacturing), and services (including tourism and communications systems) that are world-class and world-recognised.

This emphasis on new external economic relations appeared to contradict what Dr. Thaksin had done in the early part of this government. He gave several speeches in various places (including at international meetings and foreign correspondents club) saying to the effect that Thailand would no longer depend on foreign direct investment and exports as its main engines of growth, but instead would look inward to stimulate the domestic economy for future growth. This had created an impression of an “anti-foreigners” policy that caused concerns both inside and outside Thailand. But Dr. Thaksin might have intentionally done that to gain domestic public support in a situation where the Thai public was still bitter about the perceived subjugation of Thai economic sovereignty by the IMF, and the exploitation of Thai economic weakness by foreign fund managers and big multinational companies. As it is argued elsewhere (see, for example, Medhi 2001), Dr. Thaksin is pro open trade and outward-oriented rather than inward-looking economic strategies. But his rhetoric on dependence and reliance on domestic economy serves to increase confidence among the Thai people. In the end, his unique ‘dual-track’ policy, that is reliance on expansion of both domestic and external sectors, has become the hallmark of his economic recovery and development policies.

More can be said about how Dr. Thaksin could enable the Thai business sector to work under new economic environments and opportunities. Financial support to the small and medium enterprises was set up through an SME bank. The government also planned to promote the establishment of a fund to provide the opportunity for Thai investors and entrepreneurs to develop and utilize unique Thai know-how and indigenous intellectual property rights with full treaty protection. In agriculture, the new government wants to develop Thailand as a centre for the production of organic agricultural products. In industry, the government will

support measures to increase value added in industrial production, and will support the growth of new entrepreneurs in small and medium-sized industrial businesses in the new knowledge-based economy. In services, the government will help local business people by instituting zoning measures and relevant regulations to counter the threat of large-scale retail businesses which are mainly owned by foreign companies.

Dr. Thaksin's policy on FTA came later in his economic management, but when it came, it came in gushes. When he became prime minister of Thailand in February 2001, FTA movements in East Asia were still relatively weak. It is true that in East Asia, Singapore was the first economy to actively seek bilateral FTAs with other like-minded economies, and the first East Asian FTA was between Singapore and New Zealand which started the negotiation process in 1999 and came into fruition in 2000. But suddenly major economic players in Asia Pacific like Japan and the US began to shift their trade policies from traditional reliance on multilateral trading arrangements alone to concurrent working mechanisms of established multilateralism and bilateral FTAs. [2] The failure of the WTO Ministerial Meeting in Seattle at the end of 1999 could have some adverse effects on the trust in the practicability of the WTO process. So, Thailand and Dr. Thaksin were not in a position to make any move until they were sure that major players such as Japan and the US are now leading the way to bilateral FTAs. It may be seen that in the official statement on international economic policies (see Annex 1), no reference was made to this new form of regional trading arrangement (RTA). It only says (in Section 4.3) that it "… supports free trade in the international arena". So, only half year into the position of government, Dr. Thaksin began to see the merits and benefits of bilateral FTAs.

Table 1 summarises the background, current progress, and future prospects of all ten bilateral agreements or frameworks on free trade

[2] In Japan, this period coincided with the leadership of the new, reform-minded Prime Minister, Mr. Obuchi Keizo. In May 1999, the Japanese Ministry of International Trade and Industry (MITI) released its 1999 Trade White Paper, highlighting three main reasons for the shift of policy. First, MITI believed that agreements like NAFTA and MERCOSUR have expanded trade and investment flows among members. Second, countries that maintained low government and commercial barriers to trade were likely to benefit more in an era of rapid globalisation. And finally, during the seven rounds of multilateral trade negotiations conducted by GATT, integrated blocs played an important role in enhancing the development of the international trading system. In May 2000, MITI's White Paper on International Trade 2000, again endorsed the policy shift toward bilateral or regional trade agreements. In the US, the new administration under President George W. Bush had brought in a new US Trade Representative, Mr. Robert Zoellick, who quickly redirects the US trade policy to both multilateralism and bilateralism.

or free trade negotiations. At present only the FTA between Thailand and Bahrain is concluded (but actual free trade has not started yet), with FTA between Thailand and Australia nearing the stage where formal signing between the two governments could take place soon. Free trade arrangements with other countries are progressing with great speed.

3. The Why and How of Thailand's FTA Strategies

There are already numerous studies on the pros and cons of multilateral trading arrangements and bilateral trading arrangements, or multilateralism versus bilateralism. [3] Findlay (2001), for example, sums up the positive and negative effects of a preferential trading arrangements of which an FTA is included vis-à-vis a multilateral trading arrangement as follows:

Positive effects of FTA

- There is what is known as the dynamic time path effects whereby preferential arrangements build the momentum for further multilateral liberalisation.
- Preferential agreements helps 'lock in' policy change. Policy change which is announced by which is not credible will not have any impact. The commitments made in a preferential agreement provide one way of adding to the credibility of policy change, since backsliding will be punished by loss of the advantages provided by the agreement.
- Preferential agreements may lead producers in economies with high external tariffs to argue for lowering those tariffs, especially the ones applying to intermediate goods.
- Preferential agreements can be used as a threat to promote the multilateral process. They can help participants go further than they could in the multilateral system. They can establish deal with new policy issues and with emerging impediments to trade and investment. Also, a preferential approach is said to help the process of education about free trade and its benefits.

Negative effects of FTA

At least five negative views on FTAs could be listed:

- Benefits from preferential agreements can also come from a general liberalization of trade, and will also be larger in that case.
- Members of preferential agreements are more likely to raise barriers to non-members, even when external tariffs are low.
- Preferential structure may bring about or create rents members. But once they get used to the benefits from these rents, members

[3] (See, for example, Scollay (2003), Lloyd (2002), Medhi (2001), Yamazawa (2002), and Findlay (2001)).

do not want to give them up as they cannot be compensated by the move to freer trade. This is the 'snout in the trough' phenomenon as Findlay has called it.

- Negotiation of preferential agreements uses up scarce policy making and negotiating capacity and diverts attention in the policy making system.
- Other multilateral mechanisms provide even better benefits than those claimed for a preferential agreement. The WTO for example provides mechanisms for binding policy that avoid the disadvantages of trade diversion.

Lloyd (2002) further points out the negative effects of an FTA that (a) multiple systems of rules which accompany FTA negotiations and arrangements can be confusing and difficult to handle; (b) FTA undermines the MFN principle further; (c) FTA creates or generates unequal access to world market, and trade benefits are likely to accrue to developed countries. The hub and spokes configuration of bilateral FTAs also confers unequal and unfair trading advantages to trading partners. But despite these, he admits that an FTA may be beneficial. One motive for a country that is a member of a multi-country regional trading arrangement (RTA) engaging in bilaterals on its own account might be to force other members of the bilateral to make more progress in trade liberalisation and deep integration in the RTA. A more simple reason for a country willing to enter into an FTA despite the doubt on the economic gains is the fear of exclusion from major markets. In this context, exclusion does not mean that a country is denied access to a market, but that it has access on terms less favourable than some other country or countries.

Reflecting the views of most East Asian economists, Yamazawa (2002) believes that any realistic negative effects of an FTA are likely to be more than offset by positive dynamic effects of intensified competition, economies of greater scale, promotion of investment and technology flow. Furthermore, Yamazawa argues that the criticism against FTA is based on the concept and understanding of traditional FTA of 50 years ago, where the reduction of tariff is the only major objective. 'New Age' FTA has gone much farther than simple tariff reduction into trade in services, investment facilitation, harmonisation of rules and standards, intellectual property rights, dispute settlements, and so on. The benefits of this New Age FTA certainly outweigh its costs.

These above views on the pros and cons of bilateral FTA against multilateral trading arrangements are well known to Dr. Thaksin and his cabinet members. The fact that the Thai government comes out so strongly in support of FTA must show something very unique and

special. [4] This does not mean that Thailand has lost interest in multilateral trading arrangements like WTO, or to a lesser extent, APEC, but like the US and Japan, Thailand is also adopting this dual-track approach to trade negotiations, that is supporting multilateral trade negotiations and bilateral trade negotiations at the same time. There are several reasons that can be used to explain Thailand's FTA strategies at present, and we will discuss some of them below.

(a) Thaksin as a Decisive Political Leader

It may be noticed that this paper often refers to Dr. Thaksin and Thailand, or Thaksin and Thai government, as one of the same. Most Thais would accept this to be true because in the last 3 years he has run his government (and to a certain extent, his country) with iron fists of speed and determination. He wants to be in control of every aspect of government, and will have a say in almost all important decisions of the government or of the country. This does not necessarily mean that it is a bad thing to do so, but to preside over all major decisions means that he has to work very hard, most of his ministers or top bureaucrats would tend to defer all these major decision making to him. His government would be listless if somehow he is incapacitated or unable to work. But his strong-hand techniques of government have seen many "good" results. The strong economic recovery through his domestic demand stimulation, and general economic growth through his open-market competition is one, the quick public sector reform is another. He was able to do this because he has both wealth and power. His political foundation is so strong that no one in the government could dare to challenge his authority. Therefore, he can get things done quickly, and that includes the swing of Thailand's trade policy from a small and passive member in international economic grouping like WTO to an innovative and active member in various regional trade arrangements (RTAs).

(b) Thaksin as a Regional Leader

There are two Asian political leaders whom Dr. Thaksin admires greatly, Mr. Lee Kuan Yew and Dr. Mahathir Mohamad. To him, these two political leaders had what it takes to stand up to the West, and could prove that they could do things differently from others, in Asia, and still succeed. Dr. Thaksin probably would like to have a chance to do the same when he can, although this does not mean he wants to consciously measure up to the two senior political leaders. Dr. Thaksin indeed has opportunities to get involved in activities that can be seen as a reflection of his regional leadership.

[4] In late March, the Thai cabinet approved the budget of 192 million baht or almost 5 million US dollars to be used in the negotiations of the 10 FTA activities shown in Table 1. This budget includes fund to hire lobbyists (probably in the case of Thailand-US FTA) to give advice in the negotiation process.

One is his initiative to set up the Asian Bond Fund (ABF), and the other is his attempt to create and sustain the Asia Cooperation Dialogue (ACD).

First, ABF is an outgrowth of Thai government's initiative to create swap arrangements among East Asian countries that had agreed to provide temporary financing to each other in emergencies. From swap arrangement, Thailand proposed an actual fund that can be subscribed by interested countries in East Asia, and the fund can be used to buy sovereign and quasi-sovereign bonds issues by Asian governments in international markets. In the next step, the Asian Bond Fund can be extended to invest in various local market markets in local currencies as well. At present, the size of this ABF is 1 billion US dollars with India pledging to contribute another 1 billion US dollars to the Fund.

Second, ACD is the outcome of Dr. Thaksin's idea, who suggests that Asia as a continent should have its own forum to discuss Asia-wide cooperation. This is a loose forum without specific organisational or institutional structure, but it is possible that the ACD process can lead to a more substantial undertaking such as the development of an Asian credit-rating agency, an Asian dominated currency, an Asian fund management institution, and even an Asia-wide FTA. More immediately, however, Thailand would like to see activities in ACD consisting of specific working groups and projects. Indeed, the development of the ABF and Asian Bond Market is considered a part of ACD.

It is quite clear from the two initiatives above that Dr. Thaksin is very keen to play a role of a regional visionary. When the Prime Minister of Japan proposed the idea of Japan-ASEAN Closer Economic Partnership, it was Dr. Thaksin who had made a very enthusiastic response, and indeed this had led to his proposal to carry out a separate bilateral FTA between Thailand and Japan but along side the Japan-ASEAN FTA. Dr. Thaksin is also the first Asian leader who seriously pulls India in to join the activities of ASEAN and East Asia, and he is the first East Asian leader who suggested the first FTA between India and Thailand. Another interesting initiative of Dr. Thaksin is the proposed FTA between Thailand and Peru. Obviously the vision of Dr. Thaksin has gone farther than the confine of Asia. He wants to seriously probe the possibility of Thai trade expansion into Latin America through the first Latin American country that never has any RTA with anyone before.

(c) Thaksin as a Shrewd Business Strategist

Perhaps this last point on Thailand-Peru FTA shows Dr. Thaksin in another light, as a shrewd business strategist. First it was Bahrain that Dr. Thaksin would like to use as a gateway to the Middle East. Thailand has a section of the country in the South which is predominantly Islamic, and as such, Thailand could naturally qualify to be a producer of Islamic food for sales in the Middle East. In the case Peru, it could be Thailand's gateway to South America. Another gateway for Africa could be open soon.

What is most important in the eye of Dr. Thaksin with regards to Thailand's FTA deals with larger economies such as Japan, China, and the US, is market opportunities. The total population of all countries that Thailand is in the process of doing an FTA with amounts to some 3 billion. This gives an almost limitless opportunity for Thailand to produce and sell to the population in these trading partners. Of course, Thai has to open its markets and its 63 million populations too, but the benefits to Thailand in greatly expanded market are so obvious. But Dr. Thaksin has warned that any trade under the new conditions will face a tough regulation on the rules of origin, that goods must be produced in Thailand. This has led him to suggest that Thailand will have to increase its own local content, to be able to produce most parts of the products by itself rather than use parts from others. [5] This trade strategy could go a long way towards strengthening production capability of Thai economy and industries. Outside investors will come in with their capital, to be able to produce goods in Thailand for sales outside Thailand in Thailand's FTA trading partners.

(d)Thaksin as the Pragmatist

Perhaps what makes Thailand popular as a trading partner in its FTA deals with other countries is its willingness to be pragmatic in negotiating with its trading partners. First, Dr. Thaksin would approach his FTA partner with a positive attitude that both sides would benefit from this agreement. Therefore, it would be wrong to set out with an intention to take as much advantage of one's trading partners as possible. On the contrary, a give and take attitude should be a good basis for negotiation for a final win-win situation. Second, each trading partner will have different critical positions that are not negotiable, for the time being anyway. So, there is no point to dwell on this point alone, but it would be better to look at a bigger picture. [6] Third, benefits and costs sometimes should be

[5] This does not mean that the government would go back to the old system of forcing the minimum percentage of local content in production process, but rather indicates that domestic producers are able to supply most of the inputs or parts needed in future production.

[6] A good case in point is Thailand's reaction towards Japanese position regarding its internal rice market. Although Thailand would like Japan to open its rice

assessed from a broader perspective, not just between two countries. We may lose in our deal with A, but we may gain in our deal with B, and this could still bring about a deal. Fourth, a clever trader must always remain alert and constantly adjust to changing situations. A defensive trader is likely to be marginalised and eventually go out of business. Finally, trading partners must always maintain mutual trust and confidence, without which the deal would not last very long.

4. Concluding Remark: A Valid Rationale?

On February 18, 2004, Dr. Thaksin was invited by the Federation of Thai Industries, the powerful association of Thai manufacturers and industrialists, to inaugurate its Conference on Trade Liberalisation and Business Opportunities and give his opening speech. He chose to speak on the subject of FTA Vision of Thailand and the Expected Benefits which could be regarded as one of most important policy speech on this issue. The essence of his speech is partly explained in Section 3 above. In this concluding part, we will quote from parts of his speech that truly reflect what he has in mind about Thailand's strategies on FTA.

- "…Merger and acquisition happen in the business sector because they could gain from the economy of scale. States also gain from binding together in the form of WTO. But today we can't rely on economy of scale alone; we must rely on economy of speed too. The WTO system is good but cumbersome and slow, therefore FTA system is born. An FTA system is a system for strategic alliance and partnership. If we don't actively seek that we will be left behind".

- "…What I hate most in my life is to be on the defensive. I don't like to be on the defensive. Whenever I am on the defensive I will leave that game and create another game where I can be on the offensive. Therefore, Thailand must stop to be on the defensive. If you are in business and you are on the defensive, you will become smaller without knowing it".

- "…Rice is the heart of Japan. It will not give this up easily. There is no point to get obsessed on this rice business when there are other things we can benefit from the deal with Japan".

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market, but to insist on this to the point of failure of negotiation would be counter-productive, especially when the benefits from other parts of negotiations are much larger.

- “…One of my characters is that I don’t like to take advantage of others. There should be a give and take in our relationship. If you go to someone for the first time only to ask for help, you may get help out of that person’s kindness. But to do so for the second time, you may be frown upon. Do it for the third time, then no one will want to deal with you anymore. That’s why I want to change Thailand’s position. We no longer want to be an international beggar”.

- “…Footballer who runs after the ball will not get it; he must run in front of it. Like footballer, we must analyse the situation and look ahead, make plan and go ahead and execute it. We can change or make adjustments as we go along. Don’t wait until everything is perfect before we make a move. Perfect conditions do not exist in this world. Anyone who will wait until the situation is perfect may have to die 10 times before he can get another chance of rebirth. Once we are sure of what is good we start walking. When we encounter obstacles we solve them as we walk along. We do this to reach our goal”.

Listening to those speeches, no one can deny that this Thai leader is full of energy and vision. Dr. Thaksin may have run into a feud with many of his critics who dislike his authoritarian style of government and his penchant to act alone without much consultation or participation of others, but as long as the Thai economy and the Thai people continue to prosper through his economic policies, the majority of the Thai people would be willing to accept him and his brands of economics and politics. In this case, his rationale for Thailand’s FTA strategies must be considered valid albeit a little unusual.

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Table 1: Current State of Thailand's FTA Efforts

What FTA	Background	Current progress	Future prospects
Thailand-Bahrain	This is the first FTA that Thailand has concluded with another country. The agreement on Closer Economic Partnership between Thailand and Bahrain came into effect on December 29, 2002. Thailand expects this FTA to pave the way for greater economic expansion of Thailand in the Middle East.	At the start of the Agreement, Thailand offered an early harvest list of 626 commodity items where the tariff was reduced to between zero and 3 per cent, with stipulation that they will all be reduced to zero by January 1, 2005. The remaining more than 5,000 commodity items will be divided into 3 groups: (a) the Fast Track group which consists of about 40 per cent of these remaining good items will have their tariffs reduced to zero by January 1, 2005; (b) Normal Track group which also consists of another 40 per cent of the total list of commodities will receive zero tariff by January 1, 2007; and (c) Other Products group in the remaining 20 per cent will have no tariff by January 1, 2010. On trade in services, both sides have started to discuss on service areas that are or their respective interests. Bahrain is interested in finance and banking, and telecommunication sectors, whereas	Discussions continue on tariff reduction, non-tariff barriers, and the speed up of service and investment liberalisation.

		Thailand is interested in construction and related industries, health and tourism industries.	
Thailand-Australia	Thai and Australian trade ministers met at WTO Ministerial Meeting in Doha in November 2001 where mutual interests in forming an FTA were expressed. A Joint Scoping Study Group was subsequently set up whose report 6 months later led to FTA negotiations between the two sides. The two negotiation teams met 8 times between August 2002 and October 2003, and the basic final conclusion was reached in late October 2003. The working version of Thailand-Australia FTA should be ready for signing by the heads of two governments in May 2004.	On trade, Thailand will reduce to zero immediately at the start of the agreement about 49 per cent of total commodity items such as grains, coco products, mineral ores, and fuels, and the remaining 51 per cent of the products such as fruits and vegetable, plastic, paper, textiles and clothing, steel, machineries, and electrical appliances will be reduced to zero per cent by 2010. Australia will do the same with regard to more than 80 per cent of the list of commodities. On services and investment, Thailand will allow Australian investors to invest up to 49.99 per cent of all economic activities except communications and financial services. Australia will also allow Thai investors to invest in all activities including real estate; relax visa rules to Thai workers such as cooks.	There are still issues that conclusions cannot be made. These include issues on the rules of origin and local content, especially on textile and clothing, and motor vehicles.
Thailand-China	China already announced its intention to set up FTA with ASEAN at the ASEAN meeting in Brunei in 2001. The ASEAN-China FTA discussion is now on-going. However,	Agreement between the Government of the People's Republic of China and the Government of the Kingdom of Thailand on Accelerated Tariff Elimination under the Early Harvest Program of the Framework Agreement on Comprehensive Economic	Other ASEAN members are concerned that this early harvest agreement may

	Dr. Thaksin in his visit to China in February 2003, proposed to the Chinese government to have an early harvest agreement on fruits and vegetable between Thailand and China under the framework of ASEAN-China negotiations.	Cooperation between ASEAN and China was signed by Ministers of Trade of Thailand and China in June 2003, resulting in the reduction to zero per cent of tariff on all locally grown fruits and vegetable by October 1, 2003. Between October to December 2003, Thailand exported 2,350 baht worth of fruits and vegetable to China, and imported 1,977 baht worth of same from China. After this successful early harvest agreement, Thailand has proposed to China to accelerate tariff reduction in other commodity groups as well.	adversely affect the overall ASEAN-China FTA negotiations. However, the Thai government believes that this early harvest may stimulate faster conclusion in the ASEAN-China FTA negotiations.
Thailand-Japan	Along the line of ASEAN-China FTA, Japan also proposed to conclude an ASEAN-Japan FTA within 10 years from 2002. Even before this decision from Japan, Dr. Thaksin had already proposed the Prime Minister of Japan in November 2001 the possibility of Thailand-Japan FTA. At the Boao Forum for Asia Meeting in China in April 2002, Thai and Japanese leaders agreed to set up Working Group on Japan-Thailand Economic Partnership to study such a	At the ASEAN-Japan Commemorative Summit in Tokyo in early December 2003, Prime Ministers of Thailand and Japan agreed to formally launch negotiation process for Japan-Thailand Economic Partnership (JTEP). The first meeting of the two sides was conducted in Bangkok during 16-17 February 2004 with a major result that commodities will be divided into 3 groups: Early Harvest Group which will have zero tariff right away; Normal Group which will have zero tariff in 5 to 10 years, and Sensitive Group which is subject to further negotiation. This is to pre-empt difficulties in reaching agreements on sensitive issues on agriculture, of which a	The second meeting for JTEP was held in Tokyo during April 7-9, 2004. The outcome of the meeting is not yet known.

	possibility based on the Japan-Singapore Economic Partnership Agreement. This Working Group was later expanded into a Taskforce and completed its study in November 2003. The report of this Taskforce now forms the basis for the present negotiation between Japan and Thailand.	special Working Group will be formed to deal specifically with this issue. Japan is interested in the change in Thai rules against ownership of property by foreign nationals. It also wants deeper cooperation in intellectual property rights, competition policy, e-commerce, and trade and investment facilitations.	
Thailand-India	During Dr. Thaksin's official visit to India in November 2001, he proposed the possibility of a Thailand-India FTA to the Indian Prime Minister. The two leaders agreed to set up Joint Working Group to study such a possibility. The positive result of this study had led to the signing of the Agreement on the Framework on Thailand-India FTA in October 2003.	The Framework stipulates that negotiations on tariff reduction on commodities begins in early 2004 and finish by March 2005, with the goal of zero tariff by 2010. Among the early harvest group, included goods items are fruits and canned fish, and manufactured products such as gems and jewellery, air conditioners, electrical appliances, furniture, and engine parts. On trade in services and investment, both have agreed to start gradually activity by activity, to be completed by 2006.	Current negotiations are on Rules of Origin and local contents. Early harvest tariff reduction will not start until later 2004.
Thailand-US	During the APEC Summit in Bangkok in October 2003, the Thai Prime Minister and the President of the US agreed to start the process for Thailand-US FTA. This is one of the most important FTA	Thailand has sent its first negotiation mission headed by the Minister of Commerce to Washington DC in March 2004 with a position that Thailand wants to develop and promote economic relationship with the US in the long term. It expects that both sides will be willing to give and	This is probably the most difficult and most sensitive FTA negotiations for Thailand as the issues go beyond

	undertakings of the US which has already concluded an FTA with Singapore, and the FTA with Australia just about to finalise.	take, as no one side could all gain or all lose. With this basic belief, a win-win situation could be reached.	economic considerations into political and security reasons as well.
Thailand-Peru	During the APEC Summit in Mexico in October 2002, the Thai Prime Minister and the President of Peru agreed to study the possibility of a Thailand-Peru FTA. A year later, a framework agreement for closer economic partnership between Thailand and Peru was signed in Bangkok during the APEC Summit in October 2003.	A typical area of negotiations is agreed, that is, on the liberalisation of trade in good and services, and in investment; and on the expansion of cooperation in other trade-related areas. The first negotiation between the two sides took place in Bangkok in January 2004, with the goal to complete free trade by 2011. Three Ad Hoc Working Groups will be set up to study the issues of market access, sanitary measures, and technical barriers to trade.	Up to 4 meetings are scheduled between Thailand and Peru negotiation teams in 2004.
Thailand-Korea	Korea has signed an FTA with Chile since early 2003 but still unable to get ratification from its parliament. Therefore, the likelihood of getting into FTA with other nations while the Chile affair is still pending is small. Yet Thailand had made it approach for a Thailand-Korea in early 2003, to be firmed up by the visit of the Thai Prime Minister to the President of Korea in August	Not much progress beyond general agreement in principle to start the study process. The difficulty in ratifying the Korea-Chile FTA has somewhat stalled the momentum of Korean FTA efforts.	Despite the lack of progress on Thailand-Korea FTA, the potential benefits of closer economic partnership between these two countries are great.

	2003. The same 3-Group of Commodities Approach is used to start this negotiation.		
Thailand-New Zealand	Also during the APEC Summit in Bangkok in October 2003, the Thai and New Zealand Prime Ministers agreed to launch a study on the possibility of a Thailand-New Zealand FTA, which is expected to be completed within 2004.	The firs meeting between Thai and New Zealand teams took place in Bangkok on December 9, 2003, and the Joint Study Group was set up to complete the study with report by the end of 2004. In January 2004, the Head of Thai Negotiation Team for negotiation with New Zealand was appointed and is expected to start his work shortly.	
Thailand-BIMSTEC	This is the first multi-country FTA that Thailand will be engaging in. The framework agreement between Thailand and 5 South Asian nations, namely Bhutan, India, Myanmar, Nepal, and Sri Lanka was signed on February 8, 2004.	As a result of the agreement of the framework for negotiation, the Trade Negotiation Committee will be set up by this group to start the negotiation process in July 2004.	

Sources: compiled by author from various information sources including websites of the Department of Trade Negotiations, Ministry of Commerce.

Annex A: Official Policy Statement on International Trade and Finance

4. Commercial and International Economic Policies

The Government is determined to elevate the country's international trade policy from one solely emphasizing the acceleration of exports at all levels to one focused on developing a global marketing network system able to respond to the rapidly changing needs of consumers, thus integrating the Thai economy as part of a powerful global economy in a borderless world. The strategy will be as follows:

4.1 Commerce

(1) Support and promote the preparedness of the private sector in coping with competition in the international trade arena. Towards this end, modern marketing approaches must be employed; organizations, personnel and an information system must be developed; planning and development of production must be in line with the needs of the market; production and sales networks must be interlinked to yield maximum benefits in terms of capital and marketing; a state of preparedness must be achieved in terms of the skills, technology and knowledge necessary to compete at the global level.

(2) Develop and promote Thailand as a centre for trade in goods and services in the region as well as a centre for international exhibitions.

(3) Promote e-commerce to create opportunities for entrepreneurs in accessing the global market by expeditiously pushing forward measures and legislation essential for the conduct of e-commerce.

(4) Accelerate measures to improve the administrative efficiency of the agencies concerned, both within and outside the country, in order that they may carry out their duties in supporting and promoting exports, whether in terms of marketing, providing information or helping resolve trade obstacles overseas.

4.2 Trade in Goods and Services

(1) Promote Thai businesses to be able to obtain technology and intellectual property from all sources, and develop them to create value added by enabling such businesses to diversify their production. Promote the establishment of a fund to provide the opportunity for Thai inventors and entrepreneurs

to develop and utilize unique Thai know-how and indigenous intellectual property rights with full treaty protection.

(2) Support small- and medium-sized retail businesses to be able to compete and adapt themselves to withstand the impact of liberalization of trade in services.

(3) Institute zoning measures and relevant regulations for new large retail businesses.

(4) Promote consumer protection and an effective process of informing and servicing the public and ensuring better quality of services and products for consumers equitably. Revise and amend laws as well as institute measures for the protection of consumers with a view to ensuring justice for consumers as well as improving the country's products and services.

4.3 International Economics

(1) Support free trade in the international arena, taking into full consideration the level of preparedness and national interests of the country as well as the interests of domestic entrepreneurs. Push for the amendment and revision of laws that pose an obstacle to the Thai private sector in international trade competition.

(2) Emphasize a proactive role in the international trade and economic arena. Push for the holding of negotiations in the international arena, based on the principles of justice and bearing in mind the interests and limitations of developing countries.

(3) Support and advance the free trade policy of the ASEAN Free Trade Area. Promote trade and investment with neighbouring countries as well as border trade. Promote the development of Thailand into a base for the production of goods and the provision of services in the region.

(4) Promote and support entrepreneurs from the private sector to play a part in providing trade and investment data as well as in analysing the possible impact brought about by international trade and investment regulations. This would be of benefit in setting the directions and strategy of Thai foreign policy as well as international trade and investment negotiations.

Other policies related to foreign economic policy could be found in the following sections:

Part 3: Increasing the Competitiveness of the Agricultural Sector in the World Market

(1) Support the creation of new value added by processing agricultural produce. Develop the quality, standards, forms, and packaging of agricultural and agro-industrial goods.

(2) Develop Thailand as a centre for the production of organic agricultural products. Promote the registration of patents involving agricultural production in every area as preparation for future liberalization in trade of agricultural products.

(3) Improve quality controls, standards and safety of agricultural products, both imports and exports. Support the development of biotechnology to improve productivity, quality and standard that are internationally recognized and market tested.

(4) Promote coastal fishing, aqua-culture and marine farming as well as fishing beyond territorial waters based on bilateral cooperation with neighbouring countries, developing a strong national fishing fleet, supporting the cold storage industry, and promoting the processing of fishery goods. Conservation and protection of natural marine resources and the ecology of the seas is a primary policy.

5. Communications Policy

(1) Promote the development of infrastructure for a communications and transport network, which will serve as the basis for improving production, creating employment, and creating income.

(2) Modernize the telecommunications system and enable it to reach all parts of the country for the benefit of receiving and sending information and knowledge to the people, with linkages to other countries, and lay the foundation for the liberalization of the telecommunications business.

(3) Improve and develop the mass transit system as well as the domestic communications network, linking the two together efficiently, conveniently, swiftly and safely.

(4) Promote cooperation in building a transport and communications network linking Thailand with her neighbours,

with a view to making Thailand the centre for land transport in the region, and assist in economic development and enhancing the quality of life of the people.

(5) Promote the development of the merchant marine in a systematic and earnest manner in order to support the country's export sector. Promote the establishment of a Thai merchant marine fleet and related industries. Ensure that the development, construction and management of deep seaports are adequate and of a good standard.

(6) Forge closer cooperation with neighbouring countries with a view to protecting the right, freedom and safety of navigation through the seas in neighbouring countries.

(7) Develop the quality and improve the efficiency of air transport services to keep pace with the needs of customers, tourism promotion, and economic growth. Ensure that Thailand will remain the central hub of air transport in the Southeast Asian region.